

**Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201**

Department of the Treasury

Release Number: **200946055**
Release Date: 11/13/09
Date: 8/21/09

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

UIL 4945.04-04

X= Organization
Z= Location
x= amount

Dear

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated March 23, 2009.

Our records indicate that X was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that X will operate a grant-making program to make grants available to students in the form of scholarships. The purpose of the grants is to provide funds for the cost of tuition, room, board, books and other school supplies.

The Foundation will currently grant scholarships in the amount of x to high school seniors attending school in Z. The senior student counselor is notified of the availability of scholarships and the counselor then notifies the teachers. The teachers recommend the students they believe will meet the qualifications (grade point average, college bound, financial need) and those students receive applications for the scholarship.

The Foundation uses an application form that is provided by the school. It requests various information about the student including grade point average, financial need, the college they plan to attend in the fall, and specific reasons why they should receive a scholarship, such as their aspirations for the future, special reasons why they should be considered (family hardships or special needs), etc. The school senior counselor (who works with all seniors on their scholarships) will confirm the financial need of the students.

All grantees will be selected on an objective and nondiscriminatory basis. Candidates for the grants shall be individuals pursuing college, graduate or post-graduate education. The candidates are not limited to members of any race, gender, religion or ethnic background.

There are no limitations or restrictions on the class of individuals who are eligible for an award. Relatives of officer, directors or members of the selection committee are not eligible for an award. The Foundation will not base its selections in any way on the employment status of a recipient or a relative of the recipient.

The criteria used in selecting awards of scholarships shall include the following: prior academic performance, performance on tests designed to measure ability and aptitude for college and graduate school, recommendations from instructors, financial need, and conclusions which the selection committee may draw from a personal interview as to the individual's motivation, character, ability and potential.

The scholarship selection committee is made up of the senior counselor and teachers who obtain the student's applications and make recommendations regarding the various applicants' qualifications. The applications and recommendations are then reviewed and finalized by two or more members on the Board of Directors of the Foundation.

The scholarships are given only one time to any student and are not renewable.

All recipients are required to demonstrate reasonable and consistent attendance, and advancement toward the purposes for which the grant was made. The Foundation shall receive a copy of the report of the grantee's courses taken and grades received for each academic period. The report must be verified by the educational institution attended by the grantee and must be obtained at least once a year. If courses are not taken or grades are not received, the Foundation shall receive a brief report on the progress of the project which the grantee is working on at least once a year. The report must be approved by the faculty members supervising the grantee or another appropriate official at the educational institution. Upon completion of a grantee's study at an educational institution, a final report must also be obtained.

The Foundation will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

Complete records will be kept with respect to all grants, loans, and other distributions made, including the name, address and identifying number of the recipient, dates and amounts of distributions, and any correspondence to and from the recipient.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi
Director, Exempt Organizations
Rulings and Agreements